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MEASURING SUCCESS: NCR AND ITS VALUE ANALYZER

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The event

On 23 November, NCR won the CRM Project Award at this year's Information Management Awards for the implementation of its profitability analysis software. The product, Value Analyzer, was launched in 1999 and was recognized for its implementation within Royal Bank of Canada earlier this year. NCR has been moving gradually into the CRM space and this therefore merits some discussion of their solutions and strategy.

Value Analyzer

NCR has developed a number of applications, as part of its Relationship Technology package, which are intended to sit on top of its data warehousing platform, Teradata. One of the financial services products is Value Analyzer, which measures profitability from a 'bottom-up' perspective, i.e. at the account level. This depth of measurement means that profitability can be reported by customer, channel, product or functional department. Furthermore, its scalability means that it can be sold to banks of varying sizes and needs; however, small banks are unlikely to be able to afford this profitability solution, even though they might like it's level of detail in their decision-making.

If used in combination with NCR's Teradata platform, Value Analyzer is able to analyze enormous volumes of customer behavior data in hours, rather than days. The resulting data can then be used to improve decision-making in many areas, including channel migration initiatives, price setting and identifying underserved customer segments. And because the

calculation is based on actual customer transaction volumes, it is more accurate than software packages that use estimations.

Value Analyzer has been developed in collaboration with NCR's existing financial institution clients and will initially be targeted towards large retail banks, and then later spread across business lines, to include credit cards, corporate banking and insurance. NCR believes that this solution would be of interest to any organization where customer profitability is a critical issue and this could include other sectors such as insurers, telecoms and airlines. For example, insurers would be concerned with the current, latent and potential profitability of their customers, information that could be calculated using past data. In future, NCR also plans to add functionality and increase the performance of the Value Analyzer system to cope with greater amounts of data anticipated in the coming years.

NCR's strategy

This is part of NCR's strategic move from a hardware-only portfolio to also include software and services, though it makes considerable use of Teradata, NCR's well-regarded data warehouse solution. Value Analyzer has been designed with Teradata in mind and may lead to the client switching to Teradata to improve performance. Value Analyzer can also co-exist as a datamart with data warehouses from other vendors such as Oracle and IBM but is available only on the Teradata database.

Value Analyzer is not the only profitability measurement software available in the market and competes with Oracle's Financial Services Application, Peoplesoft's Profitability Management, IBM/HNC's ProfitVision and Siebel's Marketing application. However, NCR's solution is clearly positioned at the high-end and is aimed at banks with large volumes of transactions and accounts, such as the Royal Bank of Canada.

NCR's image has changed significantly in recent years, from being a financial services company selling ATMs, to a company with a complete portfolio of transaction and data warehousing solutions. Now, we see evidence that industry organizations are recognizing NCR's move into CRM. For example, NCR recently earned the number two position in DM Review magazine's annual ranking of the top 100 vendors in data warehousing, e-business and CRM. It beat household names traditionally associated with CRM, including Oracle, E.piphany and Siebel. Moreover, in September, NCR won the CRM category of the DM Review 2000 Readership Awards. It seems the image of NCR is no longer limited to cash registers and ATMs.

Datamonitor's view

NCR has correctly seen the emerging trend of banks to link shareholder value to CRM initiatives, based in part on the increased need for accountability in their decisions. Most banks now need to measure and manage customer profitability and look to CRM vendors for solutions. NCR's close collaboration with financial institutions in the past has allowed it to develop this and other products for the banking industry. That it has chosen to target large banks, most of whom are existing Teradata users, means that the first phase of sales will be relatively easy; it will be more difficult to sell to banks in which it hasn't already installed Teradata.

The challenge for NCR must be to convince new customers of the financial impact of buying Value Analyzer, given the size of the cost and the length of the implementation period (six to eighteen months depending on the size of the bank). Improving the mindshare of NCR in the CRM field by opening reference sites and promoting success stories (like the Royal Bank of Canada implementation award) are a good start. Encouraging prospect banks to invest in analytical CRM initiatives may well prove more difficult, partly because they are less glamorous than operational CRM tools. NCR's move into analytical CRM may go some way to changing the industry view of this area of CRM, while providing itself with yet another tool to demonstrate the power of Teradata.

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